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**LUZHENG FUTURES Company Limited**  
**魯証期貨股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
(Stock Code: 01461)

**CONTINUING CONNECTED TRANSACTIONS**

**(1) NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT  
WITH ZHONGTAI SECURITIES**

**(2) NEW FUTURES BROKERAGE SERVICES FRAMEWORK  
AGREEMENT WITH SHANDONG STEEL**

**(3) ASSET MANAGEMENT SERVICE FRAMEWORK  
AGREEMENT WITH SHANDONG STEEL**

**(4) RISK MANAGEMENT SERVICES FRAMEWORK  
AGREEMENT WITH SHANDONG STEEL**

**(5) BULK COMMODITIES SALE AND PURCHASE  
FRAMEWORK AGREEMENT WITH SHANDONG STEEL**

**New Financial Services Framework Agreement with Zhongtai Securities**

Reference is made to the Prospectus in relation to, inter alia, the Financial Services Framework Agreement entered into between the Company and Zhongtai Securities together with its annual caps.

As disclosed in the Prospectus, the Company and Zhongtai Securities entered into the Financial Services Framework Agreement and set the respective annual caps for related non-exempt Continuing Connected Transactions for 2015, 2016 and 2017. As the respective annual caps under the Financial Services Framework Agreement will expire on 31 December 2017, and the Group will continue to have specific Continuing Connected Transactions under the Financial Services Framework Agreement afterwards, such transactions will continue to be subject to the requirements for Continuing Connected Transactions under Chapter 14A of the Listing Rules. As such, the Company entered into the New Financial Services Framework Agreement with Zhongtai Securities on 28 April 2017 (after trading hours), and proposed the annual caps for 2018, 2019 and 2020 under the New Financial Services Framework Agreement.

## **New Futures Brokerage Services Framework Agreement with Shandong Steel**

Reference is made to the Prospectus in relation to, inter alia, the Futures Brokerage Services Framework Agreement entered into between the Company and Shandong Steel together with its annual caps.

As disclosed in the Prospectus, the Company and Shandong Steel entered into the Futures Brokerage Services Framework Agreement and set the respective annual caps for related non-exempt Continuing Connected Transactions for 2015, 2016 and 2017. As the Futures Brokerage Services Framework Agreement will expire on 31 December 2017 and the Group will continue to enter into Continuing Connected Transactions under the Futures Brokerage Services Framework Agreement after 31 December 2017, such transactions will continue to be subject to the Continuing Connected Transaction requirements under Chapter 14A of the Listing Rules. As such, the Company entered into the New Futures Brokerage Services Framework Agreement with Shandong Steel on 28 April 2017 (after trading hours), and proposed the annual caps for 2018, 2019 and 2020 under the New Futures Brokerage Services Framework Agreement.

## **Asset Management Service Framework Agreement with Shandong Steel**

Reference is made to the announcement of the Company dated 19 October 2015 in relation to, inter alia, the Former Asset Management Service Framework Agreement entered into between the Company and Zhongtai Securities and its annual caps.

As disclosed in the aforesaid announcement, the Company and Zhongtai Securities entered into the Former Asset Management Service Framework Agreement and set the respective annual caps for related non-exempt Continuing Connected Transactions for 2015, 2016 and 2017. As the corresponding annual caps under such Former Asset Management Service Framework Agreement will expire on 31 December 2017, and the Group will continue to conduct Continuing Connected Transactions under the Former Asset Management Service Framework Agreement after 31 December 2017 and expand its cooperative partners to sell asset management schemes to Shandong Steel and/or its associates, the Company is subject to the requirements under Chapter 14A of the Listing Rules in relation to Continuing Connected Transactions. Accordingly, the Company entered into the Asset Management Service Framework Agreement with Shandong Steel on 28 April 2017 (after trading hours) and proposed the annual caps for 2017, 2018 and 2019 under the Asset Management Service Framework Agreement. The Former Asset Management Service Framework Agreement will be terminated once the Asset Management Service Framework Agreement comes into effect.

## **Risk Management Services Framework Agreement with Shandong Steel**

The Company intends to provide risk management services to Shandong Steel and/or its associates from 2017 onwards. As Shandong Steel is a Controlling Shareholder and a Connected Person of the Company, the aforesaid transaction constitutes a Connected Transaction of the Company, and is subject to the Continuing Connected Transaction requirements under Chapter 14A of the Listing Rules. The Company entered into the Risk Management Services Framework Agreement with Shandong Steel on 28 April 2017 (after trading hours), and proposed the annual caps for 2017, 2018 and 2019 under the Risk Management Services Framework Agreement.

## **Bulk Commodities Sale and Purchase Framework Agreement with Shandong Steel**

References are made to the announcements of the Company dated 26 October 2016 and 8 December 2016 in relation to the Hot Rolled Wide Steel Plate Purchase Agreement between the Company and Laiwu Steel. As Luzheng Trading, a wholly-owned subsidiary of the Company, will continue to purchase bulk commodities, including hot rolled wide steel plates and rebar, from Shandong Steel and/or its associates, and Shandong Steel and/or its associates also intend to purchase raw materials, including cokes and iron ore, from Luzheng Trading, the Company is subject to the Continuing Connected Transaction requirements under Chapter 14A of the Listing Rules. As such, Luzheng Trading entered into the Bulk Commodities Sale and Purchase Framework Agreement with Shandong Steel on 28 April 2017 (after trading hours), and proposed the annual caps for 2017, 2018 and 2019 under the Bulk Commodities Sale and Purchase Framework Agreement.

### **Listing Rules Implications**

#### **(1) New Financial Services Framework Agreement**

As at the date of this announcement, as Zhongtai Securities holds approximately 63.10% of the equity interest of the Company, Zhongtai Securities is a Connected Person of the Company under Chapter 14A of the Listing Rules. As such, the transaction under the New Financial Services Framework Agreement between the Company and Zhongtai Securities constitutes a Continuing Connected Transaction of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the New Financial Services Framework Agreement between the Company and Zhongtai Securities is more than 5% pursuant to the Listing Rules, the Continuing Connected Transaction under the New Financial Services Framework Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **(2) New Futures Brokerage Services Framework Agreement**

As at the date of this announcement, as Shandong Steel holds 80% shares in Laiwu Steel, which holds approximately 45.91% of the equity interest in Zhongtai Securities, a Controlling Shareholder of the Company, and Laiwu Steel is the holding company of Zhongtai Securities, Shandong Steel is a Controlling Shareholder of the Company and a Connected Person of the Company under Chapter 14A of the Listing Rules. As such, the transaction under the New Futures Brokerage Services Framework Agreement between the Company and Shandong Steel constitutes a Continuing Connected Transaction of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the New Futures Brokerage Services Framework Agreement between the Company and Shandong Steel is more than 0.1% but less than 5% pursuant to the Listing Rules, the Continuing Connected Transaction under the New Futures Brokerage Services Framework Agreement is subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

**(3) Asset Management Service Framework Agreement**

As at the date of this announcement, as Shandong Steel is a Controlling Shareholder of the Company and a Connected Person of the Company under Chapter 14A of the Listing Rules, the transaction under the Asset Management Service Framework Agreement between the Company and Shandong Steel constitutes a Continuing Connected Transaction of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the Asset Management Service Framework Agreement between the Company and Shandong Steel is more than 5% pursuant to the Listing Rules, the Continuing Connected Transaction under the Asset Management Service Framework Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

**(4) Risk Management Services Framework Agreement**

As at the date of this announcement, as Shandong Steel is a Controlling Shareholder of the Company and a Connected Person of the Company under Chapter 14A of the Listing Rules, the transaction under the Risk Management Services Framework Agreement between the Company and Shandong Steel constitutes a Continuing Connected Transaction of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the Risk Management Services Framework Agreement between the Company and Shandong Steel is more than 0.1% but less than 5% pursuant to the Listing Rules, the Continuing Connected Transaction under the Risk Management Services Framework Agreement is subject to the reporting and announcement requirement but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

**(5) Bulk Commodities Sale and Purchase Framework Agreement**

As at the date of this announcement, Luzheng Trading is a wholly-owned subsidiary of the Company. As Shandong Steel is a Controlling Shareholder of the Company and a Connected Person of the Company under Chapter 14A of the Listing Rules, the transaction under the Bulk Commodities Sale and Purchase Framework Agreement between the Company and Shandong Steel constitutes a Continuing Connected Transaction of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the Bulk Commodities Sale and Purchase Framework Agreement between the Company and Shandong Steel is more than 5% pursuant to the Listing Rules, the Continuing Connected Transaction under the Bulk Commodities Sale and Purchase Framework Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In consideration of the pricing policy, the basis to determine the proposed annual caps, reasons for and benefits of the Continuing Connected Transactions, and the Company's internal control procedures, the Directors (including Independent Non-executive Directors) are of the view that the terms of the transactions contemplated under the New Financial Services Framework Agreement, the New Futures Brokerage Services Framework Agreement, the Asset Management Service Framework Agreement, the Risk Management Services Framework Agreement and the Bulk Commodities Sale and Purchase Framework Agreement and the proposed annual caps thereunder are entered into on normal commercial terms in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders of the Company as a whole. Directors Mr. Chen Fang, Mr. Lv Xiangyou and Mr. Yin Ge having material interests in the aforesaid agreements, have abstained from voting in respect of the resolutions in relation to the aforesaid framework agreements and their proposed annual caps passed by the Board.

## **The AGM**

The Company intends to propose relevant resolutions at the forthcoming AGM for Independent Shareholders' approval of the New Financial Services Framework Agreement, the Asset Management Service Framework Agreement, the Bulk Commodities Sale and Purchase Framework Agreement and their respective proposed annual caps. Zhongtai Securities will abstain from voting in respect of the resolutions in relation to the New Financial Services Framework Agreement, the Asset Management Service Framework Agreement, the Bulk Commodities Sale and Purchase Framework Agreement and their respective proposed annual caps at the AGM. The number of shares held by Zhongtai Securities and required to be abstained from voting amounted to 632,176,078. The resolutions to be proposed will be passed by way of ordinary resolutions and resolved by voting in accordance with the Listing Rules. Save as disclosed herein, no other Shareholders, to the knowledge and belief of the Directors having made all reasonable enquiries, will be required to abstain from voting in respect of relevant resolutions as at the date of this announcement.

The Independent Board Committee (comprised of all Independent Non-executive Directors, namely Mr. Gao Zhu, Mr. Yu Xuehui, Mr. Wang Chuanshun and Mr. Li Dapeng) has been established and will provide advice on the New Financial Services Framework Agreement, the Asset Management Service Framework Agreement, the Bulk Commodities Sale and Purchase Framework Agreement and their respective proposed annual caps to the Independent Shareholders.

The Company has appointed Alliance Capital as the independent financial advisor to advise the Independent Board Committee and Independent Shareholders in respect of the above matter. The Independent Board Committee will provide its recommendation in the AGM circular upon having received the opinions of Alliance Capital.



A circular containing, inter alia, details of (1) the New Financial Services Framework Agreement and its proposed annual caps; (2) the Asset Management Service Framework Agreement and its proposed annual caps; (3) the Bulk Commodities Sale and Purchase Framework Agreement and its proposed annual caps; (4) the Independent Board Committee's recommendation to the Independent Shareholders; (5) Alliance Capital's advice to the Independent Board Committee and Independent Shareholders in respect of the New Financial Services Framework Agreement, the Asset Management Service Framework Agreement, the Bulk Commodities Sale and Purchase Framework Agreement and their respective proposed annual caps; and (6) the circular, together with the notice of convening the AGM, will be dispatched to the Shareholders no later than within 15 working days after the date of this announcement.

## **I. New Financial Services Framework Agreement with Zhongtai Securities**

### **(1) Background**

Reference is made to the Prospectus in relation to, inter alia, the non-exempt Continuing Connected Transactions under the Financial Services Framework Agreement between the Company and Zhongtai Securities and their annual caps. As disclosed in the Prospectus, pursuant to the Financial Services Framework Agreement, Zhongtai Securities and/or its associates regularly provide various financial services to the Group in the ordinary and usual course of business. The aforesaid services mainly include IB services, purchase of asset management schemes by the Group, in which Zhongtai Securities and/or its associates act as the manager, as well as acceptance of securities brokerage and other financial services by the Group from Zhongtai Securities.

As the corresponding annual caps under the Financial Services Framework Agreement will expire on 31 December 2017 and the Group will continue to enter into certain transactions under the aforesaid Financial Services Framework Agreement after 31 December 2017. Therefore, the Company entered into the New Financial Services Framework Agreement with Zhongtai Securities on 28 April 2017 (after trading hours). Pursuant to such agreement, Zhongtai Securities and/or its associates will regularly provide various financial services to the Group, mainly including IB services, asset management services, securities brokerage and other financial services. The term of the New Financial Services Framework Agreement is three years with effect from 1 January 2018 to 31 December 2020. The continuing connected transactions thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the Continuing Connected Transactions for the following three years (from 1 January 2018 to 31 December 2020).

## (2) Details of the agreement

**Date:** 28 April 2017

**Parties:** Zhongtai Securities  
The Company

### A. *Acceptance of IB services provided by Zhongtai Securities and/or its associates*

#### *Principal terms*

In the Company's ordinary and usual course of business, Zhongtai Securities and/or its associates provide IB services to the Company, among which, Zhongtai Securities and/or its associates introduce potential clients to the Company for the engagement of the Company's futures brokerage businesses. In addition, Zhongtai Securities and/or its associates will also provide the following services to such clients introduced to the Company: (i) assisting clients in opening accounts; (ii) providing latest information about futures, option and other derivative markets to clients; (iii) assisting clients in risk control and management; and (iv) other related financial services. Zhongtai Securities and/or its associates will charge the Company commissions for the provision of such IB services.

#### *Reasons for and benefits of the transaction*

The Company (as a futures firm) could effectively share the relatively abundant customer resources of Zhongtai Securities and/or its associates through the acceptance of IB services provided by Zhongtai Securities (as a securities company). Besides, both Zhongtai Securities and the Company could effectively achieve synergies while enhancing the Company's customer service capabilities as well as increasing operating income. In addition, Zhongtai Securities and/or its associates have been providing IB services to the Company for consecutive years and have developed a deep understanding of the Company's business needs. As such, the continuous provision of such services by Zhongtai Securities and/or its associates to the Company will foster the development of the Company's futures brokerage business.

#### *Pricing terms*

- (i) The commission charged by Zhongtai Securities and/or its associates for the provision of IB services to the Company will be 60% of the commission revenue generated from such clients introduced by Zhongtai Securities and/or its associates (the "**Commission Split**"). Based on the enquires on futures commission splits made to other futures companies which provide IB services to securities companies, the Company is of the opinion that the Commission Split of 60% falls within the reasonable market range and is in line with market practice. In addition, the Commission Split of 60% has been applied to the IB services provided to the Company by Zhongtai Securities and/or its associates since the listing of the Company in 2015;

- (ii) The commission revenue equals the revenue generated from such clients, with deduction of the trading and clearing fees paid to the futures exchanges in the PRC, including but not limited to, Shanghai Futures Exchange, Zhengzhou Commodity Exchange, Dalian Commodity Exchange and China Financial Futures Exchange; and
- (iii) The Commission Split of 60% has been determined based on arm's-length negotiations between Zhongtai Securities and the Company with reference to the prevailing market commission rates for IB businesses and on normal commercial terms, and is consistent with market practice.

*Historical amounts*

In relation to the IB services provided by Zhongtai Securities and/or its associates to the Company, the commissions for the two years ended 31 December 2015 and 2016 and the two months ended 28 February 2017 were RMB16,832 thousand, RMB8,162 thousand and RMB1,170 thousand (unaudited), respectively; the Commission Split for the provision of IB services to the Company by Zhongtai Securities and/or its associates was 60%.

*Annual caps*

The maximum aggregate annual amounts in respect of the commissions for the provision of IB services by Zhongtai Securities and/or its associates to the Company for the three years ending 31 December 2018, 2019 and 2020 shall not exceed the caps set out below:

	<b>Proposed annual caps for the year ending 31 December</b>		
	<i>(RMB'000)</i>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
Commissions	28,000	36,000	46,000

*Basis of caps*

The above proposed annual caps are determined on the basis that: (i) commissions received by Zhongtai Securities and/or its associates are expected to increase due to the increasing business opportunities of IB services introduced to the Company by Zhongtai Securities and/or its associates, resulting from the increasing facilitation of the Company's branches which are capable of conducting IB business of the Company with Zhongtai Securities and/or its associates and the further enhancement of synergy effects between both parties; (ii) Chinese stock market has been placing great impact on financial futures businesses including stock index futures businesses which are the principal businesses of the clients introduced to the Company by Zhongtai Securities and/or its associates, while Zhongtai Securities is mainly involved in securities dealing business. In the second half of 2015, Chinese stock



market experienced significant fluctuations. China Financial Futures Exchange exercised strict control over stock index futures transactions through sharply raising the levels of margin deposits and handling fees for settling positions and decreasing the daily quantity of open futures contracts, which dramatically reduced the scale of IB business provided to the Company by Zhongtai Securities and/or its associates. In February 2017, China Financial Futures Exchange announced to partially loosen the control on the stock index futures transactions by reducing margin deposits and handling fees of the stock index futures business, and based on the various factors including the market condition of stock index futures, and the industry and regulatory trend, the Company expects that China Financial Futures Exchange will continue to fully loosen the position limit of stock index futures in 2018; (iii) the scale of the Company's futures brokerage services is anticipated to increase as evidenced by the introduction of commodity futures, the preparation of various new varieties of commodity futures as well as the expected implementation of new futures products such as stock index options and 3-year sovereign bond futures contracts by China Financial Futures Exchange. According to the data published by China Financial Futures Exchange, the daily average market transaction amount of stock index futures has been increasing by approximately 67% per annum since the launch in 2010 till 2015. Given that the majority of the clients introduced to the Company by Zhongtai Securities and/or its associates are engaged in stock index futures trading, and considering that the synergy between both parties will be gradually enhanced, the Company prudently estimates that the IB business provided to the Company by Zhongtai Securities and/or its associates will increase by 30% from 2017 to 2020; (iv) as the commission generated from the IB business provided to the Company by Zhongtai Securities and/or its associates was approximately RMB18,000 thousand for the first six months of 2015 before the stock index futures transactions were restricted by China Financial Futures Exchange for the same period, it is expected that the commission to be generated from the IB business provided to the Company by Zhongtai Securities and/or its associates will be approximately RMB46,800 thousand, RMB60,800 thousand and RMB79,100 thousand from 2018 to 2020, respectively; and (v) the Commission Split is 60%, assuming that it remained unchanged as compared with those for the previous three years. As such, the commissions charged to the Company by Zhongtai Securities and/or its associates from the IB business are expected to be RMB28,000 thousand, RMB36,000 thousand and RMB46,000 thousand from 2018 to 2020, respectively.

***B. Purchase of asset management schemes in which Zhongtai Securities and/or its associates act as the manager***

*Principal terms*

We purchase asset management schemes in which Zhongtai Securities and/or its associates act as the manager in our ordinary and usual course of business. Zhongtai Securities and/or its associates, as the manager, will invest in such asset management schemes for investing in a certain scope of financial products. In this regard, we will pay management fees, subscription fees and redemption fees (as the case may be, and hereinafter collectively referred to as the “**Asset Management Fees**”) to Zhongtai Securities and/or its associates.

### *Reasons for and benefits of the transaction*

Investment in asset management schemes could enhance the Group's investment return and, compared with other investments, the return on investment in asset management schemes is relatively more stable and thus in line with the Group's risk control requirements on its wealth management business. In addition, the Group has invested in various asset management schemes managed by Zhongtai Securities and/or its associates for certain consecutive years and thus has developed a better understanding of their investment strategy and results performance, which effectively foster business cooperation between both parties and improves return on assets of the Group.

### *Pricing terms*

- (i) Asset Management Fees charged by Zhongtai Securities and/or its associates as the manager in the asset management schemes are calculated based on our investment amounts times the Asset Management Fees rate;
- (ii) With the gradual development of futures asset management business, market competition has become more fierce and the management fees rate of relevant collective asset management schemes has been constantly decreasing. For collective asset management schemes, the Asset Management Fees rate as stipulated in the collective asset management contracts is applicable to all investors participating in such plan equally and evenly, including the Group and any other independent third party investor participants. Such Asset Management Fees rate is also comparable with the prevailing market rate for collective asset management schemes issued by any other independent third parties with similar scales of investment; and
- (iii) For targeted asset management schemes, (a) the Asset Management Fees rate charged by Zhongtai Securities and/or its associates as the manager is comparable to, or no less favorable to the Group than, those charged by Zhongtai Securities and/or its associates to any other independent third parties for similar targeted asset management schemes; (b) such Asset Management Fees rate is also comparable to, or no less favorable to the Group than, the Asset Management Fees rate charged by any other independent third party managers to the Group in other similar targeted asset management schemes the Group participated in; and (c) the Asset Management Fees rate has been determined based on arm's length negotiations between Zhongtai Securities and/or its associates and the Group with reference to the prevailing market commission rates for similar targeted management schemes on normal commercial terms, and is consistent with market practice.

### *Historical amounts*

For the two years ended 31 December 2015 and 2016 and the two months ended 28 February 2017, the Group participated in six asset management schemes in which Zhongtai Securities and/or its associates acted as the manager. For the two years ended 31 December 2015 and 2016 and the two months ended 28 February 2017, the highest daily amount invested in such asset management schemes were approximately RMB140,000 thousand, RMB156,000 thousand and RMB105,140 thousand (unaudited), and the Asset Management Fees paid by the Group to Zhongtai Securities and/or its associates were approximately RMB494 thousand, RMB383 thousand and RMB376.11 thousand, respectively. The Asset Management Fees rates for such six asset management schemes were 0.2%, 1.2%, 0.7%, 0.27%, 1.0% and 0.6%, respectively.

### *Annual caps*

The maximum aggregate highest daily amount invested by the Group, and the annual Asset Management Fees paid by the Group to Zhongtai Securities and/or its associates for the three years ending 31 December 2018, 2019 and 2020 shall not exceed the caps set out below:

		<b>Proposed annual caps for the year ending 31 December</b>		
		<i>(RMB'000)</i>		
		<b>2018</b>	<b>2019</b>	<b>2020</b>
Purchase of asset management schemes from Zhongtai Securities and/or its associates by the Group	Highest daily amount invested Asset Management Fees (based on the Asset Management Fees rate of 1.0% and the subscription fee of RMB10,000)	492,600	591,120	709,340
		4,926	5,911	7,093

### *Basis of caps*

The above proposed annual caps are determined on the basis that: (i) pursuant to the audited net assets of the Company in 2016, as well as the warning percentage requirement of net capital and net assets of a futures company under the Administrative Measures on Risk Regulatory Indication of Futures Companies (《期貨公司風險監管指標管理辦法》) promulgated by the CSRC, after the deduction of short-term capital turnovers of RMB10,000 thousand, such as turnovers for off-budget expenses which may affect the net capital of the Company; and proposed injection to subsidiaries of RMB60,000 thousand, including the proposed injection to Luzheng Information Technology Co., Ltd. of RMB10,000 thousand and the proposed injection to Luzheng Trading of RMB50,000 thousand from the total

available capital for investment of the Company in 2016, the available capital for financial investment for the Company in 2017 is expected to be approximately RMB609,000 thousand. Together with the available capital for financial investment in 2017 for the Company's subsidiaries of approximately RMB212,000 thousand, the total available capital for financial investment for the Group in 2017 would be approximately RMB821,000 thousand. According to the investment plan of the Group and in order to enhance the capital utilization efficiency of the Group, it is expected that the highest daily amount invested by the Group in the asset management schemes in which Zhongtai Securities and/or its associates act as the asset manager will be not more than 50% of the total available capital for financial investment of the Group in 2017, as such, the highest daily amount invested in 2017 would be RMB410,500 thousand. According to the audited financial data, the profit growth rates of the Group were around 20% when comparing 2015 with 2014 and when comparing 2016 with 2015, respectively. Therefore, It is expected that the investment amount in the asset management schemes in which Zhongtai Securities or its associates act as manager will increase by 20% in the next three years; and (ii) for the purpose of calculating the annual caps of the Asset Management Fees for the next three years, based on the previous Asset Management Fees rates and despite the different standards of Asset Management Fees rates of various asset management products, assuming the Asset Management Fees rate is 1.0%, the expected Asset Management Fees to be paid to Zhongtai Securities and/or its associates by the Group are expected to be RMB4,926 thousand, RMB5,911 thousand and RMB7,093 thousand for the next three years, respectively.

***C. Acceptance of Securities brokerage and other financial services provided by Zhongtai Securities and/or its associates***

*Principal terms*

As part of treasury management activities, Zhongtai Securities and/or its associates provide securities brokerage services to us in our ordinary course of business, including but not limited to trading in securities, trading in bonds and funds, subscription for new shares and reverse repo of treasury bonds, as well as other financial services in our ordinary course of business, for which Zhongtai Securities and/or its associates charged the Group commissions.

*Reasons for and benefits of the transaction*

In consideration of the enhancement of the Group's capital return by securities investment during the Group's treasury management activities, the Group needs to conduct securities investment and other financial businesses through companies which have the necessary qualifications for engaging in securities brokerage business. In addition, the Group has cooperated with Zhongtai Securities and/or its associates for securities brokerage and other financial services for consecutive years. Zhongtai Securities and/or its associates have developed a good understanding of the Group's needs. This is a key factor the Group considers in selecting a provider of securities brokerage and other financial services.

### *Pricing terms*

- (i) the commissions charged by Zhongtai Securities and/or its associates for its provision of securities brokerage and other financial services will be determined based on arm's-length negotiations between Zhongtai Securities and/or its associates and the Group with reference to the prevailing market commission rate for similar business, and is consistent with the market practice. The average commission rate of the stock brokerage business is 0.03% (each transaction conducted will be charged a minimum commission fee of RMB5, and when the commission fee exceeds RMB5 through calculation by transaction amount times the 0.03% of commission rate, the transaction will be charged at the commission rate of 0.03%). Different commission rates were applied to the bond brokerage business provided to us by Zhongtai Securities and/or its associates, subject to different types of bonds (reverse repo of bonds with the term of one day or more than 28 days), ranging from 0.001% to 0.03%; and
- (ii) the commissions charged by Zhongtai Securities and/or its associates for its provision of securities brokerage and other financial services to the Group is comparable to, or no less favorable than, those charged by Zhongtai Securities and/or its associates to any other independent third parties.

### *Historical amounts*

For the securities brokerage and other financial services provided by Zhongtai Securities and/or its associates, the historical amounts of commissions for the two years ended 31 December 2015 and 2016 and the two months ended 28 February 2017 were RMB205 thousand, RMB9 thousand and RMB24.5 thousand (unaudited), respectively.

### *Annual caps*

The maximum aggregate annual amounts of commissions in respect of the securities brokerage and other financial services provided by Zhongtai Securities and/or its associates for the three years ending 31 December 2018, 2019 and 2020 shall not exceed the caps set out below:

	<b>Proposed annual caps for the year ending 31 December</b>		
			<i>(RMB'000)</i>
	<b>2018</b>	<b>2019</b>	<b>2020</b>
Commissions	690	690	690



### *Basis for caps*

The above proposed annual caps are determined on the basis that: (i) along with the increase of the Group's revenue, the aggregate amount of financial investment by the Group is expected to increase accordingly. The Group will invest its capital in the stock market or securities market considering the market conditions at discretion; (ii) the securities brokerage business provided by Zhongtai Securities and/or its associates has relatively greater exposure to the Chinese stock market. The Chinese stock market was bullish in the first half of 2015 while it had significant fluctuation in the second half of 2015, and experienced a relative overall slowdown in 2016. As such, the commissions paid to Zhongtai Securities and/or its associates by us in respect of securities brokerage businesses significantly decreased from 2015 to 2016. With the recovery of the stock market in 2017, the Group expects that its investment in the stock market will continue to increase and the commissions paid to Zhongtai Securities and/or its associates will increase accordingly as Zhongtai Securities and/or its associates will provide more securities brokerage and other financial services to the Group; (iii) when the stock market was on the rise in 2015, the maximum amount of the Group invested in the stock market was approximately RMB80 million. Considering that the current market maintains relatively stable and based on the prudent estimation of 70% of the aforementioned investment amount, it is expected that the annual investment amount in the stock market by the Group for each of the next three years will be RMB55 million, as such, the commission to be paid to Zhongtai Securities by the Group is expected to be RMB396 thousand for each year of 2018, 2019 and 2020 based on the handling fees rate of 0.03%; and (iv) from 2017 onwards, Zhongtai Securities started to provide reverse repo of bonds to the Group. The investment amounts for conducting reverse repo of bonds by the Group was RMB50 million, and the commission paid to Zhongtai Securities by the Group in respect of the reverse repo of bonds was approximately RMB146.2 thousand for the two months ended 28 February 2017 based on the unaudited management accounts of the Group. Taking into account the current plan of the Group, it is expected that the amount invested for reverse repo of bonds of the Group for each year of 2018, 2019 and 2020 will not be less than twice the amount invested for the two months ended 28 February 2017. As such, the amounts invested for reverse repo of bonds of the Group are expected to be RMB100 million for each year of 2018, 2019 and 2020, respectively, while the commission payable to Zhongtai Securities and/or its associates by the Group is expected to be RMB292.4 thousand for each year of 2018, 2019 and 2020, respectively. Together with the securities brokerage services to be provided by Zhongtai Securities and/or its associates to the Group, the Group shall pay RMB690 thousand to Zhongtai Securities and its associates for each year of 2018, 2019 and 2020, respectively.

## II. New Futures Brokerage Services Framework Agreement with Shandong Steel

### (1) Background

Reference is made to the Prospectus in relation to, inter alia, the Futures Brokerage Services Framework Agreement between the Company and Shandong Steel and its annual caps.

As disclosed in the Prospectus, pursuant to the Futures Brokerage Services Framework Agreement, the Group provides futures brokerage and other related financial services to Shandong Steel and/or its associates. As the corresponding annual caps under the Futures Brokerage Services Framework Agreement will expire on 31 December 2017 and the Group will continue to enter into the Continuing Connected Transaction under the Futures Brokerage Services Framework Agreement after 31 December 2017, the Company is subject to the Continuing Connected Transaction requirements under Chapter 14A of the Listing Rules. As such, the Company entered into the New Futures Brokerage Services Framework Agreement with Shandong Steel on 28 April 2017 (after trading hours) and proposed the annual caps for 2018, 2019 and 2020 under the New Futures Brokerage Services Framework Agreement.

Pursuant to such agreement, the Group provides futures brokerage services to Shandong Steel and/or its associates in the Group's ordinary and usual course of business. The term of the New Futures Brokerage Services Framework Agreement is three years with effect from 1 January 2018 until 31 December 2020. The Group is subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules in respect of the Continuing Connected Transactions for the following three years (from 1 January 2018 to 31 December 2020).

### (2) Details of the agreement

**Date:** 28 April 2017

**Parties:** Shandong Steel  
The Company

#### *Principal terms*

We provide futures brokerage services to Shandong Steel and/or its associates in our ordinary and usual course of business. In particular, we execute trading of commodity and financial futures, options and other derivatives on behalf of Shandong Steel and/or its associates in return for a management fee (the "**Futures Commissions**") for such services.

### ***Reasons for and benefits of the transaction***

Both the steel production and sales business of Shandong Steel and/or its associates as well as the asset management and proprietary investment business of Zhongtai Securities and/or its associates require hedging through futures trading. Given that the Company has extensive experience in the futures industry, Shandong Steel and/or its associates entrusts the Group to provide futures brokerage services to them. Besides, the Group has been continuously providing futures brokerage services to Shandong Steel and/or its associates (including but not limited to Laiwu Steel and Zhongtai Securities) for consecutive years and has developed a better understanding of the investment needs of Shandong Steel and/or its associates, the Group, therefore, is able to provide service with comparatively high quality.

### ***Pricing terms***

- (i) although our Futures Commissions for the provision of futures brokerage services vary according to different types of futures, options and other derivatives products, such commissions for the same futures, options and other derivatives products are applicable to all clients of us, including Shandong Steel and/or its associates, and other independent third party clients; and
- (ii) the Futures Commissions charged by us for the provision of futures brokerage and other financial services are based on a percentage that is at a premium of the futures commissions rate set by the China Financial Futures Exchange with reference to the prevailing market commissions rate, and is consistent with market practice.

### ***Historical amounts***

For the futures brokerage services provided by the Group to Shandong Steel and/or its associates, the historical amounts of the Futures Commissions for the years ended 31 December 2015 and 2016 and the two months ended 28 February 2017 were approximately RMB3,244 thousand, RMB1,401 thousand and RMB46 thousand (unaudited), respectively.

### ***Annual caps***

The maximum aggregate annual amounts of Futures Commissions in respect of the provision of futures brokerage services by the Group to Shandong Steel and/or its associates for the three years ending 31 December 2018, 2019 and 2020 shall not exceed the caps set out below:

	<b>Proposed annual caps for the year ending 31 December</b>		
			<i>(RMB'000)</i>
	<b>2018</b>	<b>2019</b>	<b>2020</b>
Futures Commissions	5,800	8,300	12,000

### ***Basis for annual caps***

The above proposed annual caps are determined on the basis that: (i) the Shandong Steel and Laiwu Steel's steel manufacturing and sales as well as the asset management and proprietary investment businesses of Zhongtai Securities require hedging through futures trading. Along with the continuous development of futures business and continuous increase in futures varieties of the Group, it is expected that more futures brokerage services will be constantly provided to Shandong Steel and/or its associates by the Group and the Futures Commissions charged by the Group will increase constantly; (ii) handling fees generated from the securities brokerage services by the Group to Zhongtai Securities are substantially derived from financial futures, especially stock index futures, representing 90% or above. As such, such business is greatly exposed to fluctuations in the Chinese stock market. In the second half of 2015, the Chinese stock market experienced significant fluctuations and China Financial Futures Exchange exercised strict control over stock index futures transactions through sharply raising the levels of margin deposits and handling fees for settling positions and decreasing the daily quantity of open futures contracts, which dramatically reduced the scale of IB business between the Group and Zhongtai Securities and/or its associates. In February 2017, China Financial Futures Exchange announced to partly lift the restrictions on the stock index futures transactions by lowering the margin deposits of stock index futures and handling fees. Based on the market condition of stock index futures and factors in relation to the industry, the regulatory trend and etc., the Company expected that all restricting measures on the position limit of stock index futures will be released in 2018. In addition, as commodity options and other varieties of futures will be listed successively and it is currently expected that China Financial Futures Exchange will implement new futures products such as stock index options and 3-year sovereign bond futures contracts, the Group's scale of brokerage services for futures will expand continuously; (iii) Futures Commissions generated from futures brokerage service provided to Zhongtai Securities and/or its associates by the Group are expected to increase by 45% from 2018 to 2020. It is expected that the Futures Commissions payable to the Group by Zhongtai Securities and/or its associates for the provision of futures, options, and other derivatives brokerage services by the Group will be approximately RMB5,000 thousand, RMB7,250 thousand and RMB10,500 thousand, respectively, from 2018 to 2020; (iv) as the largest steel manufacturing and trading enterprise in Shandong Province of the PRC, Shandong Steel has large steel capacity and demand in raw materials as well as realistic demand in managing spot risks and lowering operating costs through futures businesses. From 2015 to 2016, as Shandong Steel internally focused on resources integration and capacity reorganization, it ceased to engage in the futures business. With the ongoing development of the futures market, it is expected that Shandong and/or its associates (including Laiwu Steel) may increase investments in the futures market from 2017 onwards and conduct futures brokerage service via the Group. Accordingly, it is estimated that the Futures Commissions payable to the Group by Shandong Steel, Laiwu Steel and/or their respective associates for the provision of futures brokerage service by the Group will be approximately RMB720 thousand, RMB1,000 thousand and RMB1,440 thousand respectively, from 2018 to 2020.

### III. Asset Management Service Framework Agreement with Shandong Steel

#### (1) Background

Reference is made to the announcement of the Company dated 19 October 2015 in relation to the Former Asset Management Service Framework Agreement entered into between the Company and Zhongtai Securities and its annual caps, pursuant to which Zhongtai Securities would continuously purchase the collective asset management schemes in which the Company acted as the manager. Being the asset manager, the Company invests in financial products of various aspects with the collective asset management schemes. As such, Zhongtai Securities would pay asset management fees to the Company. As the corresponding annual caps under the Former Asset Management Service Framework Agreement will expire on 31 December 2017 and the Group will continue to conduct continuing connected transactions under the Former Asset Management Service Framework Agreement after 31 December 2017 and expand its cooperative partners to sell asset management schemes to Shandong Steel and/or its associates, the Company entered into the Asset Management Service Framework Agreement with Shandong Steel on 28 April 2017 (after trading hours), pursuant to which, Shandong Steel and/or its associates would purchase asset management schemes in which the Group acts as the asset manager. The term of the Asset Management Service Framework lasts for three years, valid from 1 January 2017 to 31 December 2019. The Former Asset Management Service Framework Agreement will be terminated once the Asset Management Service Framework Agreement comes into effect. The continuing transactions thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of Listing Rules.

#### (2) Details of the agreement

**Date:** 28 April 2017

**Parties:** Shandong Steel  
The Company

##### *Principal terms*

In the ordinary and usual course of business, Shandong Steel and/or its associates continuously purchase collective asset management schemes in which we act as the manager. Being the asset manager, we invest in financial products of various aspects with the collective asset management schemes. As such, Shandong Steel and/or its associates shall pay Assets Management Fees to us.

##### *Reasons for and benefits of the transaction*

The Group commenced its operation of asset management business in January 2013. The asset management scale grew from RMB61.0 million as of 31 December 2013 to RMB3,850 million as of 31 December 2016. The successful launch and operation of asset management products of the Group bring actual benefits to our clients, increase



the Group's income of asset management business, and offer gained market recognition and branding effect of the asset management business. Moreover, Shandong Steel and/or its associates have actual investment demand to purchase asset management products and it is expected that they will start purchasing asset management schemes in which the Group acted as the manager from 2017 onwards. As the Group is more familiar with the investment demand of Shandong Steel and/or its associates as compared with other asset management companies, the Group is expected to increase the assets return of Shandong Steel and/or its associates as well as the income of the asset management business of the Group. Also, it is expected to facilitate the business cooperation between both parties which is in the interest of the Company and the Shareholders as a whole.

### ***Pricing terms***

- (i) as the manager of the asset management schemes, we charge asset management fees based on the calculation of the investment amounts in the asset management schemes by Shandong Steel and/or its associates times the asset management fees rate; and
- (ii) with the gradual development of futures asset management business, market competition has become more fierce and the management fees rate of relevant collective asset management schemes has been constantly decreasing. For collective asset management schemes, the asset management fees rate (1.0% on average) as stipulated in the collective asset management contracts is applicable to all investors participating in such plan, including Shandong Steel and/or its associates and any other independent third party investor participants. Such Asset Management Fees rate is also comparable to or no less favorable than the rates we charged to any other independent third parties for comparable collective asset management schemes.

### ***Historical amounts***

For the two years ended 31 December 2015 and 2016 and the two months ended 28 February 2017, Shandong Steel and/or its associates did not purchase any asset management schemes in which the Group acted as the manager.

### ***Annual caps***

The maximum aggregate highest daily amount invested by Shandong Steel and/or its associates from the Group, and the annual asset management fees paid by Shandong Steel and/or its associates to the Group for the three years ending 31 December 2017, 2018 and 2019 shall not exceed the caps set out below:

	<b>Proposed annual caps for the year ending 31 December,</b>		
	<i>(RMB'000)</i>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
Highest daily amount invested	200,000	260,000	338,000
Asset management fees (based on the asset management fees rate of 1.0%)	2,000	2,600	3,380

### ***Basis of annual Caps***

The above proposed annual caps are determined with the bases that: (i) the Group charges Shandong Steel and/or its associates with asset management fees based on the calculation of: the total amount of the asset management schemes purchased by Shandong Steel and/or its associates times the asset management fees rate (based on annual fee rate of 1.0%); (ii) the reason why Shandong Steel and/or its associates did not purchase the asset management schemes in which the Group acted as the manager before 2017 is, as in comparison with other asset management companies in the market, the asset management business of the Group from 2015 to 2016 was still at the initial stage and its differentiated competitiveness were not embodied in respect to the types of products. In terms of product scale and quantity, there was still a gap between the Company and other asset management companies thus it could hardly satisfy the investment demand of Shandong Steel and/or its associates. However, the Group's asset management business has recorded a significant growth in its scale and gained recognition in the futures industry since 2016. It is expected that the Group will have the ability to provide comprehensive asset management services to Shandong Steel and/or its associates from 2017 onwards; (iii) the investment targets of most of the asset management schemes in which the Group acts as the manager are mainly bulk commodities and their derivatives, which are in line with the nature of the business of Shandong Steel as a bulk commodities manufacture enterprise and can better meet the futures-related investment demand of Shandong Steel and/or its associates; (iv) Along with the deepening of the cooperation between the Group and Shandong Steel and its associates, the investment demand of the collective asset management schemes in which the Group acts as the manager to be purchased by Shandong Steel and/or its associates, as well as the financial assets required for investment by Shandong Steel and/or its associates are expected to increase continuously. According to the development plan of the asset management business in which the Group act as the asset manager, as well as the intention of the Company and Shandong Steel and its associates and the communication and commercial negotiation between both parties in respect of their cooperation in asset management business, it is expected that the total amounts of asset management schemes to be purchased by Shandong Steel and/or its associates from the Group for the three years ending 31 December 2017, 2018 and 2019 will increase by 30%, and the highest daily amounts invested are expected to be RMB200 million, RMB260 million and RMB338 million, respectively.

## **IV. Risk Management Services Framework Agreement with Shandong Steel**

### **(1) Background**

As the Company plans to commence the provision of risk management services to Shandong Steel and/or its associates from 2017 onwards, the Company is subject to the requirements of Chapter 14A of the Listing Rules in relation to Continuing Connected Transactions. Accordingly, the Company entered into Risk Management Services Framework Agreement with Shandong Steel on 28 April 2017 (after trading hours), the term of which is three years with effect from 1 January 2017 to 31 December 2019.

## **(2) Details of the agreement**

**Date:** 28 April 2017

**Parties:** Shandong Steel  
The Company

### ***Principal terms***

In the ordinary and usual course of our business, we provide Shandong Steel and/or its associates with risk management services, such as providing customized and comprehensive risk management service for the price risk which Shandong Steel and/or its associates are exposed to in the off market transactions of derivatives, including futures, options, swaps and forwards or their portfolio of transactions. Therefore, Shandong Steel and/or its associates purchase from or sell to us over-the-counter options. At the beginning of the transactions, the buyers pay premium to the sellers.

### ***Reasons for and benefits of the transaction***

As the largest steel manufacturing and trading enterprise in Shandong Province of the PRC, Shandong Steel has a relatively greater production capacity and asset scale. In order to overcome price fluctuation risk of commodities, such as raw materials, Shandong Steel has customized risk management demand with respect to part of its production and processing materials. As a new business to the financial market, over-the-counter derivatives business is still at the initial development stage. In 2016, the over-the-counter derivatives business of the Company gradually matured with greater improvement of its risk management service capability. We plan to provide over-the-counter options on target futures of rebars, iron ores, coke, rubber and stock indexes to Shandong Steel and/or its associates in order to meet the risk management demand of Shandong Steel and/or its associates, facilitate the development of the over-the-counter derivatives business of the Company, as well as increase the revenue of the Company.

### ***Pricing terms***

- (i) taking into consideration the factors including the market volatility and market liquidity, the trading period of each over-the-counter derivatives transaction ranges from one to six months, and the premium ratio ranges from approximately 1% to 8% of the target asset value;
- (ii) even though the premium of over-the-counter derivatives business received by us varies from the types of futures products, the premium of the same futures products is applicable to all of our clients including Shandong Steel and/or its associates and other independent third party clients; and
- (iii) the premium charged by/paid for risk management services provided by us is determined based on internationally recognized pricing models and risk management systems with reference to the quotation of market organizations and reference

parameters including the volatility rate provided by a third party, i.e. Wind Information, in order to ensure reasonable pricing in line with market practice on the premises of fairness and impartiality, which is in the interest of the Company and Shareholders as a whole.

### ***Historical amounts***

As the over-the-counter derivatives business of the Company is at the initial stage, the Group did not provide any risk management service to Shandong Steel and/or its associates for the past three years.

### ***Annual caps***

For the three years ending 31 December 2017, 2018 and 2019, the maximum annual total amount of the premium for the risk management services provided by the Group to Shandong Steel and/or its associates shall not exceed the caps set out below:

	<b>Proposed annual caps for the year ending 31 December,</b>		
	<i>(RMB'000)</i>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
Premium paid by Shandong Steel and/or its associates to the Group	10,000	15,000	18,800
Premium paid by the Group to Shandong Steel and/or its associates	10,000	15,000	18,800

### ***Basis of annual caps***

The above proposed annual caps are determined with reference to the following: (i) the subjects of transactions on over-the-counter derivatives between the Group and Shandong Steel and/or its associates mainly include futures contracts of ferrous metals, rubber and stock indexes; (ii) due to the previous internal resources integration and reorganization of production capacity of Shandong Steel group, its development of the over-the-counter derivatives business was temporarily suspended. As the market scale of over-the-counter derivatives grows exponentially, as well as the gradual maturity in various transactions between the Company and Shandong Steel and/or its associates, and based on the calculation of the annual steel production value of Shandong Steel for over RMB100 billion, we estimate that the expected over-the-counter futures participation rate out of Shandong Steel's production capacity for over-the-counter businesses between the Group and Shandong Steel and/or its associates for the three years ending 31 December 2017, 2018 and 2019 will be 0.8%, 1.2% and 1.5%, respectively. Accordingly, the respective total transaction amounts are expected to be RMB0.8 billion, RMB1.2 billion and RMB1.5 billion, respectively. Taking into consideration of the 2.5% premium rate which is the prevailing markets rates and consistent with the Company's most recent similar transactions with independent third parties, the proposed annual caps for the premium paid by Shandong Steel and/or its associates to us for each of the three years ending 31 December 2017, 2018 and 2019 are RMB10,000 thousand, RMB15,000 thousand and RMB18,800 thousand, respectively.

## V. Bulk Commodities Sale and Purchase Framework Agreement with Shandong Steel

### (1) Background

References are made to the announcements of the Company dated 26 October 2016 and 8 December 2016 in relation to the Hot Rolled Wide Steel Plate Purchase Agreement entered into between the Company and Laiwu Steel, 80% shares of which are held by Shandong Steel. In view of the continuing purchase of bulk commodities, such as hot rolled wide steel plates, by Luzheng Trading, a wholly-owned subsidiary of the Company, from Shandong Steel and/or its associates in the future, and that Shandong Steel and/or its associates may continue to purchase raw materials, including coke and iron ores, from Luzheng Trading, the Company entered into the Bulk Commodities Sale and Purchase Framework Agreement with Shandong Steel on 28 April 2017 (after trading hours), pursuant to which the Company and/or its associates would purchase bulk commodities from Shandong Steel and/or its associates, including hot rolled wide steel plates, and Shandong Steel and/or its associates would purchase raw materials, including coke and iron ores from Luzheng Trading in the ordinary and usual course of business. The term of Bulk Commodities Sale and Purchase Framework Agreement lasts for three years, valid from 1 January 2017 to 31 December 2019. The Continuing Connected Transactions thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of Listing Rules.

### (2) Details of the agreement

**Date:** 28 April 2017

**Parties:** The Company  
Shandong Steel

#### *Principal terms*

In our ordinary and usual course of business, Luzheng Trading purchases bulk commodities including but not limited to hot rolled wide steel plates from Shandong Steel and/or its associates and pays the consideration; Shandong Steel and/or its associates purchase raw materials including but not limited to coke and iron ores from Luzheng Trading and pay the consideration.

#### *Reasons for and benefits of the transactions*

**For the purchases of bulk commodities including but not limited to hot rolled wide steel plates by Luzheng Trading from Shandong Steel and/or its associates**, when bulk commodity price fluctuates and trading opportunities in the market arise, Luzheng Trading may be entrusted by downstream traders and may on its own initiative purchase bulk commodities including hot rolled steel plates and rebars. Luzheng Trading intends to purchase bulk commodities such as hot rolled steel plates and rebars produced by



Shandong Steel and/or its associates. As a trade brand of Shanghai Futures Exchange, the products of Shandong Steel and/or its associates have better liquidity. As a mainstream product of the bulk commodities market in Shandong, the market shares of such bulk commodities are relatively larger with a higher degree of market acceptance. Shandong Steel is a sizable state-owned enterprise with healthy operation. The default risk exposed to Luzheng Trading for its purchase from Shandong and/or its associates is relatively low. Entering into the Bulk Commodities Sale and Purchase Framework Agreement entered into between the Company and Shandong Steel are expected to seize favorable opportunities of prevailing market conditions and secures stable profit margin, which is in the interest of the Company and Shareholders as a whole.

**For the purchase of raw materials including but not limited to coke and iron ores by Shandong Steel and/or its associates from Luzheng Trading,** Luzheng Trading was established in April 2013 and principally engaged in bulk commodities transaction business with its scope of business covering the sales and wholesale of agricultural products, metal products, ore products, chemical products and edible oils. It generally purchases raw materials, such as coke and iron ores at suitable market price and sells such bulk commodities when there is an increase in the market price as compared to the purchase price in order to earn price differences. As a steel producer, Shandong Steel has a great demand of bulk commodities such as coke and iron ores and plans to purchase such bulk commodities from Luzheng Trading from time to time according to its future production demand and market conditions. By entering into the Bulk Commodities Sale and Purchase Agreement with Shandong Steel to sell bulk commodities including iron ores to Shandong Steel, the Company is able to access stable and reliable sales channels, seize market opportunities and acquire stable profit margin, and is in the interest of the Company and Shareholders as a whole.

### ***Pricing terms***

**For the purchases of bulk commodities including but not limited to hot rolled wide steel plates by Luzheng Trading from Shandong Steel and/or its associates,** as the bulk commodities such as hot rolled wide steel plates and rebars are produced by Shandong Steel and/or its associates themselves, such commodity price is mainly determined with reference to the aggregated cost of steel production. As enterprises operated for the purpose of making profits, Shandong Steel and/or its associates are reluctant to disclose such core confidential commercial information to the Company, which will constitute its commercial secrets. However, the price of the bulk commodities such as hot rolled wide steel plates and rebars purchased by Luzheng Trading from Shandong Steel and/or its associates is determined with reference to comparable prices of similar products sold in domestic markets by independent third parties, in order to ensure that the price and terms of sales of bulk commodities sold by Shandong Steel and/or its associates to Luzheng Trading are fair, reasonable and such price is comparable to that of similar products paid by independent third parties. Such transaction consideration is payable by the Group through its internal resources in cash.

**For the purchase of raw materials including but not limited to coke and iron ores by Shandong Steel and/or its associates from Luzheng Trading,** Luzheng Trading will determine the price based on arm's length negotiations with Shandong Steel and/or its associates with reference to the comparable price of similar products sold by independent third parties in domestic markets in accordance with the market fair, in order to ensure that the price and terms for the sales of bulk commodities by Shandong Steel and/or its associates to Luzheng Trading are fair, reasonable and such price and terms are comparable to that of similar products offered by independent third parties.

### *Historical amounts*

For the two years ended 31 December 2015 and 2016 and the two months ended 28 February 2017, the transaction amounts of bulk commodities purchased by Luzheng Trading from Shandong Steel and/or its associates were approximately nil, RMB2,849 thousand and RMB528 thousand, respectively. Shandong Steel and/or its associates did not purchase raw materials including iron ores or other bulk commodities from Luzheng Trading or the Company in the past.

### *Annual caps*

For the three years ended 31 December 2017, 2018 and 2019, the maximum annual amounts of transactions of sales and purchase of bulk commodities and raw materials between the Group and Shandong Steel and/or its associates shall not exceed the caps set out below:

	<b>Proposed annual caps for the year ended 31 December,</b>		
	<i>(RMB'000)</i>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
The purchase amount of bulk commodities by the Group from Shandong Steel and/or its associates	200,000	300,000	450,000
The purchase amount of raw materials by Shandong Steel and/or its associates from the Group	100,000	150,000	225,000

### *Basis of annual caps*

The proposed annual caps for transaction contemplated under Bulk Commodities Sales and Purchase Framework Agreement are determined as follows:

**For the purchases of bulk commodities including but not limited to hot rolled wide steel plates by Luzheng Trading from Shandong Steel and/or its associates,** (i) the associates of Shandong Steel include Jigang Group Co., Ltd. (濟鋼集團有限公司), Laiwu Steel and other large-scale steel enterprises in Shandong Province. According to the annual report of Shandong Steel (excluding its associates) for the year of 2016,

Shandong Steel recorded annual steel production value of approximately RMB45,337 million, and its annual consumption amount of raw materials for steel was approximately RMB16,138 million. As such, Shandong Steel and its associates are the major suppliers of steel market as well as the major consumers of steel raw materials in Shandong Province; (ii) as Shandong Steel and its associates have good market reputation and brand awareness in the steel industry, they have a large loyal customer base in Shandong as well as in the whole country. In the past, the Group mainly purchased and sold bulk commodities in Shandong market. Also, due to the timeliness and opportunistic nature of purchase and sales of bulk commodities as well as relevant restrictive provisions for Connected Transactions, the Group mainly purchased and sold bulk commodities from and to steel factories other than Shandong Steel and its associates. However, the steel products of Shandong Steel and/or its associates have higher market recognition in Shandong's market, and through further expansion of the Group's market channels, the promotion of market brand and the growing maturity of the marketing team, the Group has already reached preliminary cooperation intentions with several customers which have long-term fixed demands on steel products produced by Shandong Steel and/or its associates. The demand volume of such customers is relatively large and stable. Considering the existing customers with preliminary cooperation intentions to conduct business with us as well as the gradual growth of potential customers, the Group expects that the monthly transaction volume of hot rolled wide steel plate will be approximately 3,000 tons and the transaction volume of structural steel will be approximately 5,000 tons, respectively. Based on the average price of RMB3,000 per ton referring to comparable prices of bulk commodities in the current market environment, it is estimated that the monthly transaction amount of purchase of bulk commodities by the Group from Shandong Steel and/or its associates in 2017 will be approximately RMB24 million. As such, the Group prudently expected that the annualized transaction amount of purchase of bulk commodities by the Group from Shandong Steel and/or its associates in 2017 will be approximately RMB200 million; and (iii) as compared with other distributors of Shandong Steel and/or its associates, the Group is advantageous in providing ancillary services such as financing and risk management to downstream customers. Hence, downstream customers are more willing to purchase steel from Shandong Steel and/or its associates through the Group. Based on above, it is expected that the purchase amount of bulk commodities including but not limited to hot rolled wide steel plates by the Group from Shandong Steel and/or its associates will increase significantly within the proposed annual caps above in the next three years.

**For the purchase of raw materials including but not limited to coke and iron ores by Shandong Steel and/or its associates from Luzheng Trading**, according to the Group's research on futures and commodities industry, the Group has a lower purchase cost as compared with other trading enterprises. Hence, the Group can sell raw materials such as iron ores, coking coal and coke at lower prices to Shandong Steel and its associates and to independent third parties. Being large-scale steel production enterprises, Shandong Steel and its associates select their suppliers through consideration of prices as well as the stability and continuity of supplying sources. According to business plan and the communication and commercial negotiation between the Group and Shandong Steel, Luzheng Trading plans to commence selling raw materials, such as iron ores, coking coal and coke to Shandong Steel and/or its associates on continuing basis from 2017,

including selling 4,000 tons of iron ores, 3,000 tons of coking coal and 3,000 tons of coke each month. Based on the respective prices of RMB600 per ton, RMB2,000 per ton and RMB1,200 per ton referring to comparable prices of bulk commodities in the current market environment, it is estimated that the monthly transaction amount of purchase of bulk commodities by Shandong Steel and/or its associates from the Group in 2017 will be approximately RMB11 million. As such, the Group prudently expected that the annualized transaction amount of purchase of bulk commodities by Shandong Steel and/or its associates from the Group in 2017 will be approximately RMB100 million.

Based the Group's average annual growth rate of 52.30% for purchase of relevant bulk commodities and the average annual growth rate of 120.07% for sales of relevant bulk commodities when comparing 2015 with 2014 and comparing 2016 with 2015, as well as the comprehensive considerations of the potential rise in the prices of the above bulk commodities and the scale effect after the expansion of related businesses, it is expected that both of the purchase amount of bulk commodities by the Group from Shandong Steel and/or its associates and the purchase amount of raw materials by Shandong Steel and/or its associates from the Group will increase by 50% for the three years ending 31 December 2017, 2018 and 2019

## **VI. Internal Control Procedures and Corporate Governance Measures**

The Company would strive to exercise stringent monitoring over the transaction amounts and respective annual caps of (1) the New Financial Services Framework Agreement with Zhongtai Securities, (2) the New Futures Brokerage Services Framework Agreement with Shandong Steel, (3) the Asset Management Service Framework Agreement with Shandong Steel, (4) the Risk Management Services Framework Agreement with Shandong Steel and (5) the Bulk Commodities Sale and Purchase Framework Agreement with Shandong Steel to ensure that necessary measures and appropriate actions can be timely taken in order to comply with the requirements of the Listing Rules. The Company has adopted the following internal management procedures to ensure that the above Continuing Connected Transactions are fair and reasonable and on normal commercial terms:

- The Group has formulated a series of measures and policies on, among others, contract policies, project management policies and administration rules of Connected Transactions in order to ensure that the Company's Continuing Connected Transactions are conducted under such Framework Agreements and the respective pricing policies. These Framework Agreements and the transactions thereunder, in particular the fairness and reasonableness of the pricing terms thereof, would be examined and approved by the Audit Committee of the Board, the Board and various internal departments of the Company (including but not limited to the finance department and audit department of the Company) to ensure that the terms of Framework Agreements are in compliance with relevant regulations and guidelines (if applicable) and market practices and would not deviate from the terms of the Framework Agreements disclosed in this announcement;
- When determining the actual prices of services provided by Zhongtai Securities and/or its associates, as well as the products supplied by Shandong Steel and/or its associates, Zhongtai Securities, Shandong Steel and/or their respective associates will provide the

Company with a proposed price for consideration first. As mentioned above, in order to ensure that the pricing terms under the agreements of Continuing Connected Transactions are fair and reasonable, the proposed price will be evaluated and approved by the finance department, audit department and various relevant business departments of the Company. In addition, the transactions under the Framework Agreements shall be conducted on a non-exclusive basis. Payments shall be calculated on the aforementioned bases. In addition to that, the Group usually seeks quotations or makes enquiries on relevant prices from not less than two other independent third party suppliers providing similar products or services, and refers to such pricing and terms for similar products or services, to make sure that the prices and terms offered by Zhongtai Securities, Shangdong Steel and/or their respective associates to the Group are fair, reasonable and are no less favorable than those offered by independent third parties;

- When determining the actual prices of services or products provided by the Group to Shandong Steel and/or its associates, the Group will provide Shandong Steel and/or its associates with a proposed price for consideration first. As mentioned above, in order to ensure that the pricing terms under the agreements of Continuing Connected Transactions are fair and reasonable, the proposed price will be evaluated and approved by the finance department, audit department and various relevant business departments of the Company. In addition, the transactions under the Framework Agreements shall be conducted on a non-exclusive basis. Payments shall be calculated on the aforementioned bases. However, the Group usually makes enquiries on relevant prices to not less than two other independent third party suppliers providing similar services or products, and makes reference to the pricing and terms we offered to independent third parties for similar products, to make sure that the pricing and terms offered by the Group to Shandong Steel and/or its associates are fair, reasonable and are no less favorable than those offered to independent third parties;
- The Audit Committee of the Board, the office of the Board and various internal departments of the Company also regularly monitor the fulfillment status and the transaction updates under the Framework Agreements. In addition, the management of the Company also regularly reviews the pricing policies of the Framework Agreements. The Independent Non-executive Directors conduct annual review for the implementation and execution of Continuing Connected Transactions (including related pricing mechanisms); the auditors of the Company would conduct assessment and evaluation on the internal control measures of the Company and engage annual review of the Continuing Connected Transactions under the Framework Agreements pursuant to the requirements of the Listing Rules, in order to confirm that, among others, the transactions are conducted in accordance to the pricing policies and relevant transaction agreements.

After taking into consideration of aforementioned pricing policies, the basis of, the reasons for and the benefits of determining proposed annual caps and internal control procedures, the Directors (including Independent Non-executive Directors) are in the opinion that the terms of the contemplated transactions under the Framework Agreements and the proposed annual caps thereunder are entered into based on normal commercial terms in the ordinary and usual course of business of the Company that are fair and reasonable and in the interest of the Company and the Shareholders of the Company as a whole. In the meantime, the



Company considers that it has adequate mechanisms, internal control procedures and external monitoring measures to ensure that the Continuing Connected Transactions are in strict compliance with relevant regulations and guidelines and the terms of the New Financial Services Framework Agreement, the New Futures Brokerage Services Framework Agreement, the Asset Management Service Framework Agreement, the Risk Management Services Framework Agreement and the Bulk Commodities Sale and Purchase Framework Agreement.

## **VII. Listing Rules Implications**

### **(1) New Financial Services Framework Agreement**

As at the date of this announcement, as Zhongtai Securities holds approximately 63.10% of the equity interest of the Company, Zhongtai Securities is a Connected Person of the Company under Chapter 14A of the Listing Rules. As such, the transactions under the New Financial Services Framework Agreement between the Company and Zhongtai Securities constitute Continuing Connected Transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the New Financial Services Framework Agreement between the Company and Zhongtai Securities is more than 5% pursuant to the Listing Rules, the Continuing Connected Transactions under the New Financial Services Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **(2) New Futures Brokerage Services Framework Agreement**

As at the date of this announcement, as Shandong Steel holds 80% shares in Laiwu Steel, which holds approximately 45.91% of the equity interest in Zhongtai Securities, a Controlling Shareholder of the Company, and Laiwu Steel is the holding company of Zhongtai Securities, Shandong Steel is a Controlling Shareholder of the Company and a Connected Person of the Company under Chapter 14A of the Listing Rules. As such, the transaction under the New Futures Brokerage Services Framework Agreement between the Company and Shandong Steel constitutes a Continuing Connected Transaction of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the New Futures Brokerage Services Framework Agreement between the Company and Shandong Steel is more than 0.1% but less than 5% pursuant to the Listing Rules, the Continuing Connected Transaction under the New Futures Brokerage Services Framework Agreement is subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **(3) Asset Management Service Framework Agreement**

As at the date of this announcement, as Shandong Steel is a Controlling Shareholder of the Company and a Connected Person of the Company under Chapter 14A of the Listing Rules, the transaction under the Asset Management Service Framework Agreement between the Company and Shandong Steel constitutes a Continuing Connected Transaction of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the Asset Management Service Framework Agreement between the Company and Shandong Steel is more than 5% pursuant to the Listing Rules, the Continuing Connected Transaction under the Asset Management Service Framework Agreement is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **(4) Risk Management Services Framework Agreement**

As at the date of this announcement, as Shandong Steel is the Controlling Shareholder of the Company and a Connected Person of the Company under Chapter 14A of the Listing Rules., the transaction under the Risk Management Services Framework Agreement between the Company and Shandong Steel constitutes a Continuing Connected Transaction of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the Risk Management Services Framework Agreement between the Company and Shandong Steel is more than 0.1% but less than 5% pursuant to the Listing Rules, the Continuing Connected Transaction under the Risk Management Services Framework Agreement is subject to the reporting and announcement requirement but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **(5) Bulk Commodities Sale and Purchase Framework Agreement**

As at the date of this announcement, Luzheng Trading is a wholly-owned subsidiary of the Company. As Shandong Steel is the Controlling Shareholder of the Company, Shandong Steel is a Connected Person of the Company under Chapter 14A of the Listing Rules. As such, the transactions under the Bulk Commodities Sale and Purchase Framework Agreement between the Company and Shandong Steel constitute Continuing Connected Transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio for the proposed annual caps of the Bulk Commodities Sale and Purchase Framework Agreement between the Company and Shandong Steel is more than 5% pursuant to the Listing Rules, the Continuing Connected Transactions under the Bulk Commodities Sale and Purchase Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **VIII. The Opinions of the Board**

As Mr. Chen Fang, Mr. Lv Xiangyou and Mr. Yin Ge are holding office at Zhongtai Securities and/or its associates, it is deemed that they are related to the transactions under the New Financial Services Framework Agreement, the New Futures Brokerage Services Framework Agreement, the Asset Management Service Framework Agreement, the Risk Management Services Framework Agreement and the Bulk Commodities Sale and Purchase Framework Agreement. Therefore, they have abstained from voting on the resolutions of the Board for the approval of the Framework Agreements and their proposed annual caps. Save as disclosed, there are no other Directors involved in any material interests of the aforementioned Framework Agreements and none of other Directors are required to abstain from voting on the resolutions of the Board for the consideration and approval of the aforementioned Framework Agreements and their proposed annual caps.

In consideration of the pricing policies, the determination basis of the proposed annual caps, the reasons for and benefits of the internal control procedures, the Directors, including Independent Non-executive Directors, are of the view that the terms of the transactions contemplated under the New Financial Services Framework Agreement, the New Futures Brokerage Services Framework Agreement, the Asset Management Service Framework Agreement, the Risk Management Services Framework Agreement and the Bulk Commodities Sale and Purchase Framework Agreement and the proposed annual caps thereunder are entered into on normal commercial terms in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IX. Information about the Transaction Parties**

### **(1) Information about the Company and Luzheng Trading**

The Company is principally engaged in commodity futures brokerage, financial futures brokerage, futures asset management and futures investment consultancy.

Luzheng Trading, a wholly-owned subsidiary of the Company, is principally engaged in commodity trading, import and export business, technical advice, investment advice and other businesses.

### **(2) Information about Zhongtai Securities**

Zhongtai Securities was incorporated in the PRC in May 2001 and holds approximately 63.10% equity interest in the issued share capital of the Company. It is principally engaged in securities brokerage, securities investment consultancy, investment advice related to securities trading and securities investment activities, securities underwriting and sponsoring, securities dealer, margin financing, securities investment fund underwriting, financial products underwriting, futures IB and other businesses.

### **(3) Information about Shandong Steel**

Shandong Steel was incorporated in the PRC in March 2008, and is principally engaged in smelting, processing and sales businesses of ferrous metal.

### **(4) Information about Laiwu Steel**

Laiwu Steel was incorporated in the PRC on 6 May 1999, and is principally engaged in smelting, processing and sales businesses of ferrous metal.

## **X. AGM**

The Company intends to propose relevant resolutions at the forthcoming AGM for Independent Shareholders' approval of the New Financial Services Framework Agreement, the Asset Management Service Framework Agreement, the Bulk Commodities Sale and Purchase Framework Agreement and their respective proposed annual caps. Zhongtai Securities will abstain from voting in respect of the resolutions in relation on the New Financial Services Framework Agreement, the Asset Management Service Framework Agreement, the Bulk Commodities Sale and Purchase Framework Agreement and their respective proposed annual caps at the AGM. The number of shares held by Zhongtai Securities and required to be abstained from voting amounted to 632,176,078. The resolutions to be proposed will be passed by way of ordinary resolutions and resolved by voting in accordance with the Listing Rules. Save as disclosed herein, no other Shareholders, to the knowledge and belief of the Directors having made all reasonable enquiries, will be required to abstain from voting in respect of relevant resolutions as at the date of this announcement.

The Independent Board Committee (comprised of all Independent Non-executive Directors, namely Mr. Gao Zhu, Mr. Yu Xuehui, Mr. Wang Chuanshun and Mr. Li Dapeng) has been established and will provide advice on the New Financial Services Framework Agreement, the Asset Management Service Framework Agreement and the Bulk Commodities Sale and Purchase Framework Agreement and their respective proposed annual caps to the Independent Shareholders.

The Company has appointed Alliance Capital as the independent financial advisor to advise the Independent Board Committee and Independent Shareholders in respect of the above matter. The Independent Board Committee will provide its recommendation in the AGM circular upon having received the opinions of Alliance Capital.

A circular containing, inter alia, details of (1) the New Financial Services Framework Agreement and its proposed annual caps; (2) the Asset Management Service Framework Agreement and its proposed annual caps; (3) the Bulk Commodities Sale and Purchase Framework Agreement and its proposed annual caps; (4) the Independent Board Committee's recommendation to the Independent Shareholders; (5) Alliance Capital's advice to the Independent Board Committee and Independent Shareholders in respect of the New Financial Services Framework Agreement, the Asset Management Service Framework Agreement, the Bulk Commodities Sale and Purchase Framework Agreement and their respective proposed

annual caps; and (6) the circular, together with the notice of convening the AGM, will be dispatched to the Shareholders no later than within 15 working days after the date of this announcement.

## **XI. Definitions**

Unless the context requires otherwise, the following terms of this announcement have the meanings as set out below:

“AGM”	the 2016 annual general meeting of the Company for the year 2016 to be convened at 9:00 a.m. on Thursday, 15 June 2017 at Conference Room 1616, 16/F, Securities Tower, No. 86 Jingqi Road, Shizhong District, Jinan, Shandong Province, the PRC
“Alliance Capital”	Alliance Capital Partners Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of The Laws of Hong Kong) and will be appointed as the independent financial advisor to provide advice on the New Financial Services Framework Agreement, the Asset Management Service Framework Agreement, and the Bulk Commodities Sale and Purchase Framework Agreement and their respective annual caps to the Independent Board Committee and Independent Shareholders
“Asset Management Service Framework Agreement”	the asset management services framework agreement entered into between the Company and Shandong Steel on 28 April 2017
“associate(s)”	meaning ascribed thereto under the Listing Rules
“Board”	The board of Directors of the Company
“Bulk Commodities Sale and Purchase Framework Agreement”	the framework agreement entered into between the Company and Shandong Steel on 28 April 2017 regarding the sale and purchase of bulk commodities
“China” or “PRC”	The People’s Republic of China (in this announcement, it does not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)
“Company”	LUZHENG FUTURES Company Limited (魯証期貨股份有限公司), a joint stock limited company incorporated in the PRC and its H Shares are listed on the Hong Kong Stock Exchange (stock code: 01461)



“Connected Person(s)”	meaning ascribed thereto under the Listing Rules
“Connected Transaction(s)”	meaning ascribed thereto under the Listing Rules
“Continuing Connected Transaction(s)”	meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	meaning ascribed thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and Zhongtai Securities in 2015
“Former Asset Management Service Framework Agreement”	the former asset management service framework agreement entered into between the Company and Zhongtai Securities in 2015
“Framework Agreements”	collectively, the New Financial Services Framework Agreement, the New Futures Brokerage Services Framework Agreement, the Asset Management Service Framework Agreement, the Risk Management Services Framework Agreement and the Bulk Commodities Sale and Purchase Framework Agreement
“Futures Brokerage Services Framework Agreement”	the futures brokerage services framework agreement entered into between the Company and Shandong Steel in 2015
“Group” or “we” or “us”	the Company and its subsidiaries (the Company and its subsidiary or various subsidiaries as the context requires)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hot Rolled Wide Steel Plate Purchase Agreement”	the hot rolled wide steel plate purchase agreements entered into between Luzheng Trading and Laiwu Steel on 21 October 2016 and 5 December 2016, respectively, regarding the sale and purchase of hot rolled wide steel plate

“Independent Board Committee”	the independent board committee comprised of all Independent Non-executive Directors, namely Mr. Gao Zhu, Mr. Yu Xuehui, Mr. Wang Chuanshun and Mr. Li Dapeng. The aim of its establishment is to provide advice on the New Financial Services Framework Agreement, the Asset Management Service Framework Agreement and the Bulk Commodities Purchase Framework Agreement and their respective proposed annual caps to the Independent Shareholders
“Independent Non-executive Director(s)”	independent non-executive Directors of the Company
“Independent Shareholder(s)”	Shareholders who are not required to abstain from voting on the New Financial Services Framework Agreement, the Asset Management Service Framework Agreement and the Bulk Commodities Sale and Purchase Framework Agreement and their respective proposed annual caps
“Laiwu Steel”	Laiwu Steel Group Ltd. (萊蕪鋼鐵集團有限公司), a limited company incorporated in the PRC on 6 May 1999. 80% of its shares is held by Shandong Steel and it is a Controlling Shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Luzheng Trading”	Luzheng Trading Co., Ltd. (魯証經貿有限公司), a company incorporated in the PRC on 24 April 2013 with limited liability, which is a wholly-owned subsidiary of the Company
“New Financial Services Framework Agreement”	the new financial services framework agreement entered into between the Company and Zhongtai Securities on 28 April 2017
“New Futures Brokerage Services Framework Agreement”	the new futures brokerage services framework agreement entered into between the Company and Shandong Steel on 28 April 2017
“Prospectus”	the prospectus of the Company dated on 23 June 2015
“Risk Management Services Framework Agreement”	the risk management services framework agreement entered into between the Company and Shandong Steel on 28 April 2017

“RMB”	Renminbi, lawful currency of the PRC
“Shandong Steel”	Shandong Iron & Steel Group Co., Ltd. (山東鋼鐵集團有限公司), a limited company incorporated in the PRC on 17 March 2008. 70% of its shares are held by the State-owned Assets Supervision and Administration Commission of the Shandong Province (山東省國有資產監督管理委員會) and it is a Controlling Shareholder of the Company
“Shares”	the ordinary shares of the share capital of the Company with a nominal value of RMB1.00 each, including domestic shares and H shares
“Shareholder(s)”	holder(s) of the Share(s)
“Zhongtai Securities”	Zhongtai Securities Co., Ltd. (中泰證券股份有限公司) (previously known as Qilu Securities Company Limited (齊魯證券有限公司)), a company incorporated in the PRC on 15 May 2001 with liability limited. Laiwu Steel directly holds 45.91% of its shares and Zhongtai Securities is a subsidiary of Laiwu Steel. It is a Controlling Shareholder of the Company
“%”	percentage

By order of the Board  
**LUZHENG FUTURES Company Limited**  
**Meng Tao**  
*Secretary of the Board and*  
*Joint Company Secretary*

Jinan, the PRC  
28 April 2017

*As at the date of this announcement, the Board consists of Mr. Chen Fang and Mr. Liang Zhongwei as executive Directors; Mr. Lv Xiangyou, Mr. Yin Ge, Mr. Li Chuanyong and Mr. Liu Feng as non-executive Directors; and Mr. Gao Zhu, Mr. Yu Xuehui, Mr. Wang Chuanshun and Mr. Li Dapeng as Independent Non-executive Directors.*